Intermonte

Milan, 03 August 2023

Italian Equity Research – 2Q23 Results

TECHNOGYM

OUTPERFORM

Sector: Consumers

Price: Eu8.26 - **Target: Eu10.00**

Robust 1H23. B2C Back To Growth. Outlook Confirmed

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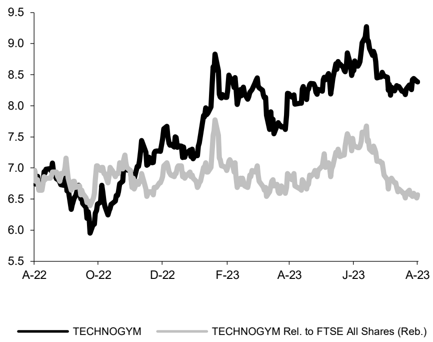
Stock Rating			
Rating:			Unchanged
Target Price (Eu):			Unchanged
	2023E	**2024E**	**2025E**
Chg in Adj EPS	0.0%	0.0%	0.0%

TECHNOGYM - 12M Performance



Stock Data			
Reuters code:			TGYM.MI
Bloomberg code:			TGYM IM
Performance	**1M**	**3M**	**12M**
Absolute	-1.1%	1.5%	20.5%
Relative	-4.7%	-5.8%	-7.3%
12M (H/L)			9.27/5.96
3M Average Volume (th):			285.41

Shareholder Data	
No. of Ord shares (mn):	201
Total no. of shares (mn):	201
Mkt Cap Ord (Eu mn):	1,685
Total Mkt Cap (Eu mn):	1,685
Mkt Float - Ord (Eu mn):	931
Mkt Float (in %):	55.2%
Main Shareholder:	
Wellness Holding (N.Alessandri)	44.8%

Balance Sheet Data	
Book Value (Eu mn):	377
BVPS (Eu):	1.88
P/BV:	4.5
Net Financial Position (Eu mn):	162
Enterprise Value (Eu mn):	1,523

- **1H23 results broadly in line with estimates, adding visibility to guidance.** Technogym reported a robust set of results for the semester, which came in broadly aligned with our / consensus estimates. Sales were up +14.6% YoY to Eu370m and more importantly +25% ahead of 1H19 thanks to the positive underlying trends across regions and segments.
- **Strong growth in B2B, B2C back to growth. B2B** was the driver of growth at Eu290.1m, +20.2% YoY, implying 2Q23 growth of +15.3% YoY, with double-digit growth across all sub-segments (including Clubs at +18/19% in 1H23). **B2C** at Eu80m was down -4.6% YoY in the first semester but finally returned to YoY growth in 2Q23 (+3.3% YoY) after 6 consecutive quarters of decline.
- **Growth across regions, APAC still dented by post-COVID issues.** Geographically, all regions saw growth except APAC, which was still impacted by the carryover effect of 2022 lockdowns, resulting in investment postponements. MEIA particularly positive and Europe showing resilient trends.
- **Profitability in line with estimates and well on track to meet FY targets.** Adj. EBITDA came in at Eu59.4m, +14.6% YoY, with the margin on sales at 16.1% or +20bps YoY despite the usual adverse seasonality in the first half. Higher volumes, better mix, and carry-over of price increases were the main drivers of the performance.
- **Net income up double digit; positive cash generation.** Net income was Eu28.1m, +12.6% YoY. NFP positive at Eu72.2m, in line with our estimates and above consensus at Eu60m, with recurring FCF before taxes at Eu17.7m in 1H23 (conversion rate 28%), +16.2m vs 1H22.
- **Positive tone from the conf call, outlook confirmed.** Management confirmed the positive momentum of volumes across geographies and segments, highlighting the strength of backlog supporting volumes in 2H23 and the visibility on guidance for double-digit growth in FY23 (more details below).
- **Estimates unchanged.** Results came in substantially in line with our expectations across P&L and BS. With any review on guidance, we therefore stick to our current estimates.
- **OUTPERFORM, target Eu10 (confirmed).** We think TGYM offers an appealing medium-term equity story thanks to its strong brand and leading position, attracting the interest of investors seeking exposure to the most premium global wellness industry through a high-end player. The company is well placed to continue to deliver sustainable and profitable growth, recovering historical levels thanks both to the resilience of the underlying business and new, developing opportunities. The stock is still trading near to the low point reached during the pandemic, which in our opinion is completely unjustified in light of its prospects, cash profile and the visibility on backlog, which make the story stand out at this time. We still consider actual levels an attractive entry point given the B2B developments, B2C recovery and visibility on targets, plus ongoing strong interest in wellness and well-being. Based on the now-visible B2B speed of recovery and resilience as well as the confirmed potential of new segments, with consequent recovery of the gross margin, we broadly confirm our expectations.

Key Figures & Ratios	**2021A**	**2022A**	**2023E**	**2024E**	**2025E**
Sales (Eu mn)	611	721	821	936	990
EBITDA Adj (Eu mn)	107	132	159	198	214
Net Profit Adj (Eu mn)	51	66	86	115	130
EPS New Adj (Eu)	0.255	0.329	0.426	0.572	0.646
EPS Old Adj (Eu)	0.255	0.329	0.426	0.572	0.646
DPS (Eu)	0.160	0.250	0.327	0.281	0.317
EV/EBITDA Adj	17.7	9.7	9.6	7.4	6.5
EV/EBIT Adj	22.0	10.7	10.9		
P/E Adj	32.9	25.5	19.7	14.6	13.0
Div. Yield	1.9%	3.0%	3.9%	3.3%	3.8%
Net Debt/EBITDA Adj	-0.9	-0.9	-1.0	-1.1	-1.4